Forewor	d	11		
Preface		13		
1. Chap Liter	ter: Introduction	<b>15</b>		
2. Chap	ter: Revision of the Standardised Approach for Credit Risk (SA-CR)	19		
2.1	Introduction	19		
2.2	General aspects	23		
2.3	Determination of the exposure value	25		
2.4	Exposures to institutions	26		
2.5	Exposures to corporates	29		
2.6	Specialised lending exposures	30		
2.7	Subordinated debt and equity exposures	32		
2.8	Retail exposures			
2.9	Exposures secured by mortgages on immovable property	34		
	2.9.1 General requirements	35		
	2.9.2 Calculation of the exposure-to-value (ETV)	36		
	2.9.3 Exposures secured by mortgages on residential immovable			
	property	37		
	2.9.4 Risk positions secured by mortgages on commercial immovable			
	property	<b>4</b> 0		
	2.9.5 Receivables related to land acquisition, development and			
	construction (ADC)	41		
	2.9.6 Changes compared to the current CRR regulations	42		
2.10	Defaulted receivables	43		
2.11	Other assets	43		
	Additional risk weights for risk positions with currency mismatches	43		
2.13	Use of external ratings	44		
	2.13.1 General aspects	44		
2.14	Credit risk mitigation techniques	46		
	2.14.1 The financial collateral simple method	46		
	2.14.2 The financial collateral comprehensive method	47		
	2.14.3 Eligibility of repurchase agreements and similar transactions	48		
	2.14.4 Consideration of guarantees and credit derivatives	49		
2.15	15 Summary			
Litera	rature 5			



3. Chap	oter: The future of the IRB Approach	53	
3.1	Introduction to the fundamentals of the IRB approach in accordance		
	with CRR	53	
	3.1.1 Introduction to the IRB risk weight formula	54	
	3.1.2 The adoption of the IRB approach	60	
	3.1.3 Calculation of RWA and EL	60	
	3.1.4 Minimum requirements for the entry and ongoing use of the		
	IRBA	66	
	3.1.5 Approval process: home/host coordination	73	
	3.1.6 Decision on the application	73	
3.2	The implementation of the Basel Committee's initiative to improve the		
	IRB approach in the EU	<i>7</i> 4	
	3.2.1 Introduction	74	
	3.2.2 Scope of the internal models	76	
	3.2.3 Partial use of the IRB approach	80	
	3.2.4 Risk parameter floors as an instrument RWA variability reduction	82	
	3.2.5 Parameter estimation procedure	84	
	3.2.6 Credit risk mitigation	87	
	3.2.7 Changes in the modelling specifications	88	
	3.2.8 Expected impact on banks	90	
	3.2.9 Conclusions	93	
Lite	rature	94	
4. Cha	pter: Supervisory treatment of market risks	95	
	Introduction	95	
4.2	2 General and overarching adjustments	96	
	Revised trading book boundary	97	
	Adjustments to the requirements for reclassifications		
	(Article 104a CRR 3)	99	
4.5	Adjustments to the requirements for internal risk transfers		
	(Article 106 CRR 3)	100	
4.6	Revised treatment of investments in funds in the trading book	101	
4.7	7 Adjustments to the Alternative Standardised Approach for market risk	103	
	4.7.1 Adaptation to the qualitative requirements of the A-SA	104	
	4.7.2 Technical adjustments to the Alternative Standardised Approach		
	for market risk (A-SA)	104	
4.8	3 Simplified standardised approach for market risk (S-SA)	107	
4.9	Alternative Internal Model Approach for market risk (A-IMA)	107	
	4.9.1 Permission and own funds requirements	108	
	4.9.2 General requirements	108	
	4.9.3 Internal model for default risks	109	
4.10	O Conclusion	110	
Literature			

5. Chap	ter: The CVA risk capital charge framework	. 113	
5.1	Introduction	113	
5.2	Hierarchy of approaches	114	
5.3	CVA exemptions and securities financing transactions	116	
5.4	Standardised approach for CVA	117	
	5.4.1 Regulatory CVA model	117	
	5.4.2 Calculation of own funds requirements	118	
5.5	Basic approach for CVA	122	
	5.5.1 Determination of the regulatory capital requirements on the		
	basis of the basic CVA	122	
	5.5.2 Determination of the reduced version of the BA-CVA in detail	122	
	5.5.3 Determination of the full version of the BA-CVA in detail	124	
5.6	Conclusion and expected impact	126	
Liter	ature	126	
6. Chan	ter: Operational risks	. 129	
	Background	129	
	Methods for determining OpRisk according to Basel II	130	
	6.2.1 Basic indicator approach and standardised approach	131	
	6.2.2 Advanced measurement approaches	132	
	6.2.3 Criticism of existing approaches	133	
6.3	Overview: From Basel II to CRR 3	133	
6.4	Standardised approach to operational risk (BCBS 424)		
	6.4.1 Functioning of the revised standardised approach	135	
	6.4.2 Calculation of annual OpRisk-related losses	140	
	6.4.3 Management of operational risks	142	
	6.4.4 Disclosure	143	
6.5	Outlook	144	
	6.5.1 Capital requirements for OpRisk	144	
	6.5.2 Further consideration	144	
6.6	Summary and conclusion	145	
Liter	ature	147	
7. Chap	ter: The output floor	. 149	
	Introduction	149	
7.2	Reasons for the introduction of the output floor	151	
	7.2.1 Outdated or no Basel I calculation systems	151	
	7.2.2 National deviations in the implementation of Basel I and the		
	Basel I capital floor	152	
	7.2.3 The scope of application of the Basel I floor	152	
	7.2.4 Development of new standard approaches	152	
7.3	The CRR 3 output floor	155	
	7.3.1 Scope of CRR 3 output floors	155	
	7.3.2 Calculation of the CRR 3 output floor	155	

	7.3.3 Transitional arrangements for the output floor pursuant to CRR 3	158
	7.3.4 Selection of the right standardised approach	159
	7.3.5 Deviations from Basel IV capital floor	159
7.4	Objectives and effects of the output floor	160
	7.4.1 Impact of the output floor on standard approaches and their	
	implementation	160
	7.4.2 Optimization of the standardised approaches	161
	7.4.3 Influence of the output floor on valuation models	164
	7.4.4 Interaction between the floor and the scope of the IRB approach	167
7.5	Conclusion	168
Litera	ature	169
8. Chapt	ter: Disclosure	171
-	Introduction	171
8.2	Proportionality principle	172
	Risk management objectives and policy	174
8.4	Scope of disclosure	174
8.5	Own funds	175
8.6	Capital requirements and risk-weighted exposure amounts	176
8.7	Counterparty credit risk	177
8.8	Countercyclical capital buffer	178
8.9	Indicators of global systemic importance	178
8.10	Credit risk	<i>17</i> 8
	8.10.1 Credit risk mitigation	180
	8.10.2 Credit risk in the standardised approach	180
8.11	Asset encumbrance	181
8.12	Market risk	181
	CVA risk	181
	Operational risk	182
	Disclosure of key parameters ("key metrics")	183
	Interest rate risk of the banking book (IRRBB)	183
	Securitisations	184
	Environmental, social and governance risks – ESG risks	184
	Remuneration policy	187
	Leverage ratio	188
	Liquidity ratios	188
	Conclusion and expected impact	189
Liter	ature	189
9. Chap	ter: MREL and TLAC as part of the resolution regime	191
	Introduction	191
9.2	Key requirements for resolution capability	193
	9.2.1 Minimum requirements of the EBA	193
	9.2.2 Minimum requirements of the SRB	193

	<b>9.3</b> TLAC			197	
		9.3.1	ΓLAC implementation	197	
		9.3.2	ΓLAC calibration	198	
		9.3.3	ΓLAC-eligible liabilities	198	
		9.3.4 I	Resolution units and internal TLAC	198	
		9.3.5	ΓLAC holdings	202	
		9.3.6	ΓLAC reporting requirements	202	
		9.3.7	ΓLAC disclosure	203	
	9.4	MREL		203	
			MREL implementation	203	
		9.4.2	MREL calibration	204	
			MREL-eligible liabilities	205	
		9.4.4 I	Resolution units and internal MREL	208	
			MREL holdings	210	
			MREL reporting requirements	210	
			MREL disclosure	213	
			k and conclusion	214	
I	Litera	ture		216	
10. Chapter: ESG: Regulatory overview for dealing with sustainability risks 219					
	10.1	Sustainability risks in the financial sector		219	
	10.2	Consideration of sustainability aspects in SREP		219	
		10.2.1	Regulatory background	219	
			Overview of the expectations of European banking supervision	222	
		10.2.3	Consideration of ESG in the Supervisory Review and		
			Evaluation Process (SREP)	225	
	10.3		atings – methodology and comparison	226	
			Introduction to the subject of ESG ratings	226	
			Overview of the ESG rating market	229	
			Methodological approaches and problems	232	
	10.4		ment of capital requirements to cover sustainability risks	238	
		10.4.1	A possible adjustment of the minimum capital requirements		
			on the basis of ESG ratings	238	
			Privileging of infrastructure projects under Pillar I	240	
		10.4.3	"Green Supporting Factor" and "Brown Penalty Factor"		
			as adjustment factors	241	
		10.4.4	Sustainability Factor (SF) and Sustainability Weight (SW)		
		10.45	as alternatives to the binary approach	243	
	T :4.		Outlook	245	
	Litera	uure		247	
	-		ptoassets	<b>249</b> 249	
	11.1 Definition and types of cryptoassets				
	11.2	Develo	pment of a prudential framework	250	

	11.3	Classifi	cation procedure for cryptoassets	251
	11.4	Regulat	tory requirements in relation to Group 1 cryptoassets	253
		11.4.1	Credit risk	253
		11.4.2	Market price risk	256
		11.4.3	Add-on factor for infrastructure risk	257
		11.4.4	Credit valuation adjustment (CVA)	257
		11.4.5	Determination of counterparty default risk	258
	11.5	Regulat	tory requirements in relation to Group 2a cryptoassets	258
		11.5.1	Minimum capital requirements for credit and market risk	259
		11.5.2	Credit valuation adjustment	260
		11.5.3	Determination of counterparty default risk	260
	11.6	Regulat	tory requirements in relation to Group 2b cryptoassets	261
		11.6.1	Minimum capital requirements for credit and market risk	261
		11.6.2	Credit valuation adjustment	261
		11.6.3	Determination of counterparty default risk	261
	11.7	7 Final BCBS standard		262
	11.8	Conclu	sion	263
	Litera	iture		263
12.	Chap	ter: Furt	ther requirements of CRD 6	. 265
	12.1	1 Introduction		265
	12.2	Superv	isory powers	265
		12.2.1	Requirements for the independence of competent authorities	265
			Extension of supervisory powers in the case of acquisitions,	
			disposals, mergers and divisions	266
		12.2.3	Professional qualification and personal reliability	
			(Fit & Proper)	267
	12.3	Branch	es from third countries	269
		12.3.1	Approval	270
			Minimum regulatory requirements	270
			Reporting requirements	272
		12.3.4	Supervision	272
		12.3.5	Conclusion	273
	Litera	ture		273